



An Advisors Guide to Hybrid Life/Long-Term Care Solutions



This guide is designed for use by licensed insurance and financial services professionals.

INTRODUCTION

While there is significant consumer demand for traditional LTC products, the long-term care insurance (LTCI) marketplace has evolved to include combination plans that link Life Insurance and LTC insurance together. These products are generally referred to as linked benefits, asset-based LTC or combo products, but the term for them is Hybrid Life/LTC insurance. These products are built on life insurance chassis and include a rider that pays long-term care benefits to the policyholder. Over the past several years, the industry has seen double-digit sales growth with these types of products along with new carrier entrants.

While the working components and benefits of Hybrid Life/LTC products differ, they can be categorized into distinct groups (as described on page 4 of this guide). It's important that the insurance professional thoroughly understands, and is confident in explaining, how each of these policies and riders work, including advantages and disadvantages. Clear and concise explanations will allow clients to make an informed choice for a solution they feel will help meet their needs and expectations.

WHY ARE ADVISORS AND CLIENTS SO INTERESTED IN THESE SOLUTIONS?

- Guaranteed premiums
- Dual peace of mind (benefit paid for LTC and/or Death)
- Cash value and policy surrender values
- Coverage is shown as an asset on the client's balance sheet
- Flexible premium payment modes (1 pay, 5 pay, 10 pay, Pay to 65, 20 pay and continuous or lifetime payment options)
- Ability to leverage growth on existing life insurance on a tax preferred basis (1035 exchanges)
- LTC Rider premiums may be tax-deductible

WHAT IS A LONG-TERM CARE RIDER?

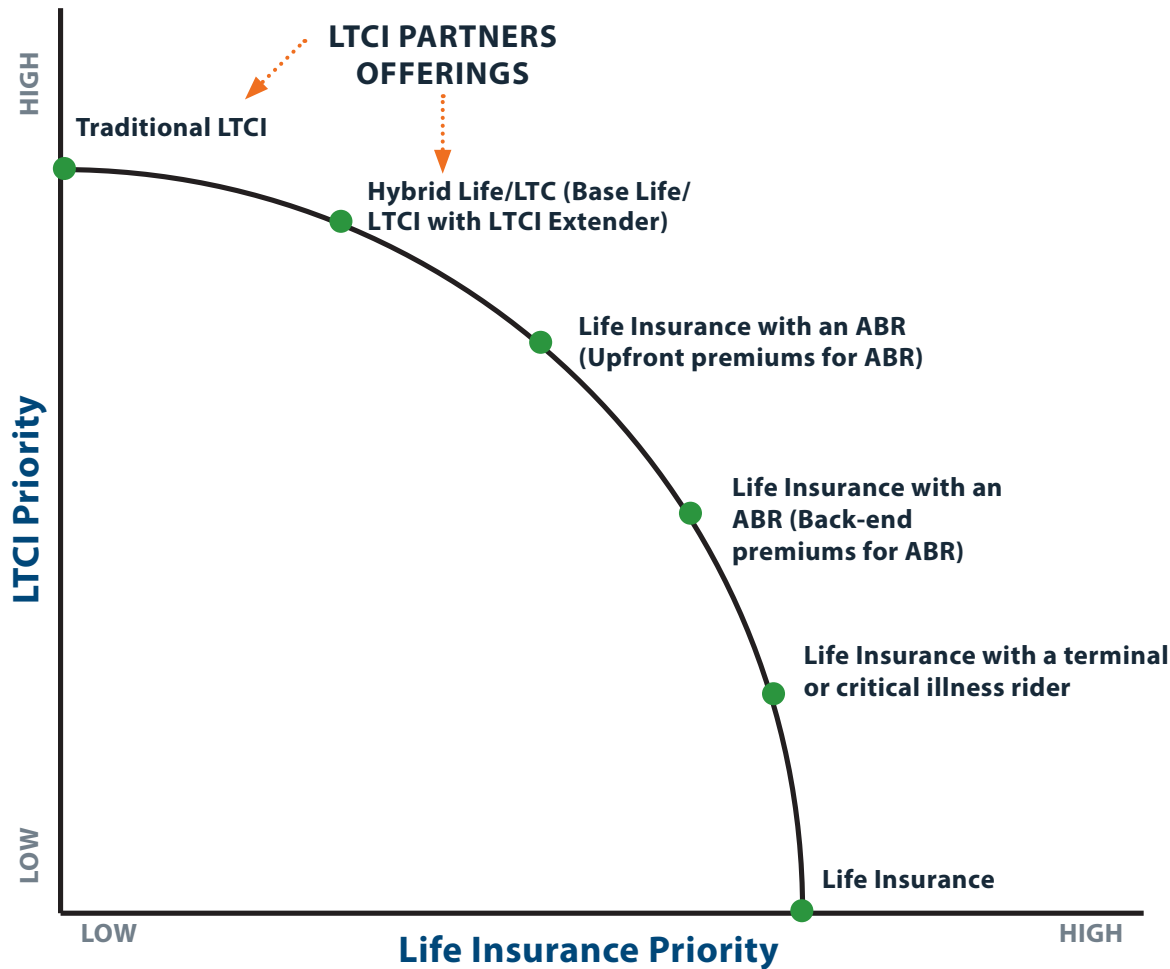
A qualified long-term care rider (IRC 7702B) is a rider attached to a permanent life insurance policy that accelerates death benefits to help pay for the costs of long-term care services for chronically ill insureds. To qualify as an LTC rider, the services requested must be provided pursuant to a plan of care prescribed by a licensed health care practitioner. An individual is considered chronically ill if he/she is unable to perform at least two of six activities of daily living (ADLs) without substantial help from another person for at least 90 days due to a loss of functional capacity. An individual may also be considered to be chronically ill if he/she needs substantial supervision to protect his or her health and safety because of a severe cognitive impairment.

We've created this guide to allow you to investigate all the possible options and help determine the best planning solution for your clients.



Please Note: this guide focuses solely on Hybrid Life/ LTCI plans with Tax-Qualified LTC Insurance riders.

LONG-TERM CARE INSURANCE PLANNING SOLUTIONS



COVERAGE HIGHLIGHTS

- **Traditional LTC Insurance** – Prospect is solely focused on LTC protection and wants the most "LTC bang for the premium dollar."
- **Hybrid Life/LTC (Base Life/LTC with LTCI Extender)** – Prospect wants to reposition assets to obtain LTC coverage while retaining the asset in the form of a death benefit in case LTC is never needed. Prospect also wants guaranteed premiums.
- **Life Insurance with an ABR (Upfront premiums for ABR)** – Prospect wants a multi-functional Life Insurance product with the ability to accelerate the death benefit on a known dollar-for-dollar basis if LTC is needed in the future.
- **Life Insurance with an ABR (Back-end premiums for ABR)** – These are Life Insurance buyers who find the possible LTC benefits a "nice-to-have" feature of the policy.
- **Life Insurance with terminal or critical illness rider** – Prospects wanting to provide a death benefit to their beneficiaries, but like the idea of having "living benefits" for a critical or terminal illness.

WHAT'S THE BEST FIT

Each day, we're asked by advisors and their clients, "what's the best insurance solution"? We're certainly not trying to be evasive in our response, but it's usually, "it depends".

The optimal LTC Insurance solution varies for each client, but ultimately our recommendation is based on what the client is trying to accomplish:

Does the client also have a Life Insurance need?

Does the client have assets to reposition?

Does the client have In-Force Life Insurance?

The funding source of premium tolerance also helps lead us to a specific solution. Below are the Pros and Cons of the LTC solution available.



TRADITIONAL LTCi

Protect your assets from an extended health care event

PROS:

- Maximize LTC leverage per premium dollar (pure LTC coverage)
- Most customizable coverage
- Inflation protection
- Care coordination/concierge healthcare benefit
- Tax-deductible for business owners
- HSA-friendly

CONS:

- Premiums not guaranteed
- Singular focus on LTC: No cash value nor death benefit that returns premiums



HYBRID/LIFE LTC (HYBRID LIFE WITH LTC EXTENDER)

Reposition assets to obtain LTC coverage while ensuring the asset is retained in the form of a Death Benefit

PROS:

- Ability to reposition assets and obtain substantial LTC leverage
- Life insurance and LTC benefits
- Ability to utilize existing Life Insurance cash value via 1035 exchanges
- Inflation protection
- Flexible payment options
- Guarantees premiums

CONS:

- Opportunity cost (if single premium option is selected)
- Life Insurance premiums ineligible for preferred tax treatment



LIFE INSURANCE WITH AN ABR

Maximize death benefit with flexibility for moderate LTC coverage

PROS:

- Relatively low premium cost for rider
- For ABRs with upfront premiums, certainty of LTC benefits available

CONS:

- If LTC is needed, reduction of death benefits
- For ABRs with back-end premiums, LTC benefits determined at claim time
- No inflation protection



LTC ANNUITIES

Long-term care options late in life potential with health concerns

PROS:

- Often limited underwriting
- Can leverage old annuities and life insurance cash value via 1035 exchanges
- 1035 exchange tax advantage: can turn tax-deferred growth to tax-free LTC payments
- Can use tax qualified dollars

CONS:

- Limited or no inflation protection
- Minimal customization
- No tax advantages for business owners



SELF-FUNDING

Access to money now

PROS:

- Zero up-front costs while retaining liquidity

CONS:

- Not a healthcare plan
- No leverage
- Possible tax timing consequences

LTCI PARTNERS HYBRID LIFE/LTC PRODUCT PORTFOLIO

CARRIER & PRODUCT	FUNDING OPTIONS	RETURN OF PREMIUM	ISSUE AGES	KEY FEATURES	INFLATION OPTIONS	UNDERWRITING
Nationwide CareMatters II	<ul style="list-style-type: none"> • Single Pay • 5 Pay (to age 65 or 100) • 10 Pay (to age 65 or 100) 	<ul style="list-style-type: none"> • Max. LTC, Min. ROP • Starts at 80% then 100% in year 11 • Starts 85%, fully vested year 11 	30-75	<ul style="list-style-type: none"> • Indemnity benefit • 20% residual death benefit • 90 calendar day elimination 	<ul style="list-style-type: none"> • 3% Simple • 3% Compound • 5% Compound • Medical CPI 	<ul style="list-style-type: none"> • Online interview (under age 60) or Tele-interview • Cognitive interview (age 60+) • Database checks
Securian SecureCare III	<ul style="list-style-type: none"> • Single Pay • 5 Pay • 7 Pay • 10 Pay • 15 Pay 	<ul style="list-style-type: none"> • Max. LTC, Min. ROP • 70% all years • Fully vested year 11 	40-75	<ul style="list-style-type: none"> • Indemnity benefit • 90 calendar day elimination 	<ul style="list-style-type: none"> • 3% Simple • 5% Simple • 3% Compound • 5% Compound 	<ul style="list-style-type: none"> • Tele-interview • Medical records (for cause) • Cognitive interview (age 56+) • Database checks
Lincoln MoneyGuard Fixed Advantage	<ul style="list-style-type: none"> • Single Pay • Flexible Premiums available to be paid up to the greater of 100 years or age 70 	<ul style="list-style-type: none"> • 70% all years • Fully vested year 11 	40-80	<ul style="list-style-type: none"> • 0-day elimination 	<ul style="list-style-type: none"> • 3% Compound • 5% Compound 	<ul style="list-style-type: none"> • Telephone or online interview • Medical information collected • Cognitive Interview (age 61+)
Lincoln MoneyGuard Market Advantage	<ul style="list-style-type: none"> • Single Premium • Flexible Premiums available to be paid up to the greater of 100 years or age 65 	<ul style="list-style-type: none"> • Cash value based on performance of variable subaccounts • 20-year surrender charge schedule with no ROP 	30-70	<ul style="list-style-type: none"> • 0-day elimination 	<ul style="list-style-type: none"> • Market-driven • 5% Compound 	<ul style="list-style-type: none"> • Telephone or online interview • Medical information collected • Cognitive Interview (age 61+)
OneAmerica AssetCare	<ul style="list-style-type: none"> • Single Pay • 5 Pay • 10 Pay • 20 Pay • Pay to 95 	<ul style="list-style-type: none"> • Available for purchase on single pay only with 50-month benefit periods 	35-80	<ul style="list-style-type: none"> • 0-day EP for home care • 90 days of care within 270 calendar days before benefits are paid 	<ul style="list-style-type: none"> • 3% Compound for 20 years • 3% compound for life • 5% compound for 20 years • 5% compound for life 	<ul style="list-style-type: none"> • Tele-interview • Medical records (for cause) • Cognitive Interview (age 60+) • Database checks
Brighthouse SmartCare	<ul style="list-style-type: none"> • Single Pay • 2 Pay • 3 Pay • 4 Pay • 5 Pay 	<ul style="list-style-type: none"> • Cash value with no charges • No ROP offered 	40-75	<ul style="list-style-type: none"> • Indexed investment growth • Indemnity benefit • 90 calendar day elimination 	<ul style="list-style-type: none"> • Indexed LTC • Fixed Growth LTC (5% compound) 	<ul style="list-style-type: none"> • Medical records (for cause) • Cognitive interview plus medical records (age 66+)

About LTCI Partners

LTCI Partners is a national brokerage firm specializing in Long-Term Care (LTC) Insurance solutions . We distribute insurance by partnering with financial services professionals (institutions and their advisors), employers and employee/executive benefits brokers, and we work directly with consumers (B2C) through their affinity or association relationships . Our product portfolio includes both Standalone and Hybrid Life/LTC Insurance and we represent over 10 different insurance companies . Our mission is simple - we want to make the process of planning for Long-Term Care easy for you and your clients .

For more information, visit **LTCIPartners.com**.

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